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Business Administration and Management Education in the United States

By Frederick Sheppard

In *The Practice of Management*, published in 1954, Peter Drucker was most prophetic when he stated that "the emergence of management as an essential, a distinct and a leading institution is a pivotal event in social history. Rarely, if ever, has a new basic institution, a new leading group, emerged as fast as has management since the turn of this century." The institutions of higher education responded to this emergence and, in the intervening years, contributed significantly to the heavy demand for professionally educated people to enter the fields of business and industry. Business education as a distinct entity commenced in the late 19th century, but the great proliferation of business and management programs occurred almost entirely in the twentieth century, and largely since World War II. As recent data demonstrates, the growth in management education has been dramatic.

Introduction

In the 1985-1986 academic year, almost 154,000 bachelor's degrees were conferred by United States colleges and universities upon students who majored in business and management. This number approximated 23 percent of all bachelor's degrees conferred. The 26,327 master's degrees conferred in business and management equaled 15 percent of the M.A.'s granted in all fields of study. (In contrast, in 1961 the MBA accounted for only 6 percent of all graduate degrees conferred.) These business and management degrees were earned in approximately 1,200 institutions, of which approximately 450 are affiliated with universities.

Expenditures for business and management education and training have also increased dramatically. The total of all expenditures for business education — including management education, technical training and all other forms of business related training in the United States — is estimated to be in excess of \$45 billion annually. Approximately \$13 billion of the total is expended upon management education, exclusive of supervisory training. This includes approximately \$600 million for graduate schools of business and management.

Early Developments

The creation of the conditions under which the training and education of managers and administrators could emerge as a clearly definable field of professional study required the convergence of several forces. First, there had to be a need — a demand — for people who had the specialized skills and knowledge that business curricula could provide. Second, there had to be a specific and unique body of knowledge that could be organized into courses of study. Third, there had to be early pioneers in the field to do the initial research and publish the early works in the areas of scientific management, organization theory and finance. Finally, there had to be academic leaders to recognize a need and define and implement courses of study in institutions of higher education.

The demands of an expanding nation and a growing population brought about specialized collegiate education as a societal necessity. The consequence was the establishment of medical, law, engineering and other professional schools in the eighteenth and nine-

teenth centuries. However, specialization in business education lagged behind most other professional fields. The first collegiate school of business, the Wharton School at the University of Pennsylvania, was not established until 1881. This apparent lag is explained by Drucker as follows: "In the first place, the very idea of specialized training in business met with resistance from the purveyors of traditional liberal arts education — resistance which has never fully disappeared. Second, collegiate business education, like other areas of specialized training, arose in response to a need, and this particular need did not manifest itself much before the close of the nineteenth century . . . The nineteenth century witnessed a vast development of our natural resources and an expansion of domestic markets."

Following the Civil War, the Midwest and West opened to population migration. The development of new power sources, transportation and communications capabilities facilitated the growth of markets and industrialization. With expansion of industries came the urbanization of populations and the increased impact of manufacturing industries upon the economy. Agriculture, which at the beginning of the nineteenth century provided approximately ninety percent of all jobs in the United States, gradually lost its position of primacy in the economy to manufacturing industries and to the service industries that formed to support manufacturing.

By the last quarter of the nineteenth century, industrialization was well underway. With the development of large corporate structures came the bureaucratization of American busi-

ness. This created the need for specialized collegiate training and provided the impetus for the establishment of business curricula on college campuses across the United States. As the flow of college educated people began to assume the responsibility for managing major segments of American business and capital investments, business success became more associated with the attainment of high managerial position than with ownership.

The evolution of business and management as distinct professional disciplines could not have occurred without the development and codification of a specialized body of knowledge. Many researchers and writers, most of whom published their works in this century, have contributed to this body of knowledge and a sequence of events has intensified the need for professionally educated management personnel.

Henry Fayol, a French engineer, developed and published the first general theory of management in the early 20th century. He was followed by other European and American researchers. In the United States, Frederick W. Taylor has been credited with being the father of scientific management for his extensive research, lecturing and writing in the period just prior to World War I. He was followed by Henry Gantt, Frank and Lillian Gilbreth, Mary Parker Follett, Elton Mayo, Abraham Maslow, Douglas McGregor and other early pioneers who created a base of knowledge that is a part of business curricula to this day.

Another essential tool of management accounting underwent a gradual process of refinement in the nineteenth century to become a significant factor in the body of management knowledge and a vital aspect of management professionalism. With the growth of business enterprises and with the increasing dominance of the corporate form of organization structure, the need became evident for more authoritative, reliable and consistent standards of financial reporting and control. The adoption of the Sixteenth Amendment to the United States Constitution on March 1, 1913 gave Congress the power to levy taxes on income. This resulted in the Revenue Act of 1913

which ushered in a new era of professional requirements for accounting practitioners as millions of corporations, partnerships, and individuals became accountable to the federal government for the payment of income taxes.

Regulatory legislation, the expansion of labor unions, and the development of increasingly complex employee remuneration and fringe benefit plans provided additional incentives to the professionalization of accounting. Professional organizations, such as the American Accounting Association and the American Institute of Certified Public Accountants codified accounting standards and established certification criteria that enhanced the field of professional knowledge and emphasized the importance of formal higher education for professional qualification and certification. According to education historian Don C. Marshall, "During the rapid growth of collegiate business schools after the turn of the century, every new school, without exception, provided instruction in accounting. Thus from the earliest college-level program to the present, a course in accounting has been included in business school curricula, usually as part of the core course work."

The need was clearly established for formally trained and educated managers and administrators. Researchers, scholars and practitioners came forth to create a unique body of knowledge that previously did not exist.

The Rise Of The Business School

Although there had been earlier, unsuccessful attempts at the establishment of schools of business at the University of Louisiana in 1851, at the University of Wisconsin in 1869 and at Washington and Lee in 1869, the first successful and lasting school of business in higher education took form at the University of Pennsylvania in 1881. After the aborted attempts at other schools, it remained for Joseph Wharton, well-known Philadelphia iron-master and financier, to provide the ideological and financial (\$100,000) resources which led to the establishment of the first collegiate school of

business. Wharton was a proponent of specialized business education and felt that all college training should be oriented toward citizenship, community responsibility, and high ethical standards.

He defined the objectives of the business school which was to take his name, as follows:

To provide for young men specimens of training and correct instruction in the knowledge and the arts of modern finance and economy, both public and private, in order that, being well informed and free from delusions in these important subjects, they may either serve the community skillfully, as well as faithfully, in offices of trust, or, remaining in private life, they may prudently manage their own affairs and in maintaining sound financial morality; in short, to establish means for importing a liberal education in all matters concerning finance and commerce.

His vision was not for a narrow curriculum of business subjects, but that instruction be based "upon the broad principles deduced from all human knowledge; and ground in science, as well as in art, pupils . . . are thereby fitted both to practice what they have learned and to become themselves teachers and discoverers." Not all the business schools which followed the establishment of the Wharton School were founded upon such lofty principles.

There was a seventeen year hiatus after the establishment of the Wharton School before another American college or university ventured into business education. This occurred at the University of Chicago in 1898 where a business school emerged from the economics program.

Curriculum

The Wharton School established a pattern for the curriculum of the early schools of business. Edmund J. James, who was employed by the University of Pennsylvania to organize the new program, had interests primarily in finance and public administration. During his

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tenure, the Wharton School curriculum consisted almost wholly of courses in history, government, and economics, with a small nucleus of offerings in accounting, business law, and business organization.

Within twenty years after the founding of the Wharton School, courses were being offered in most of the larger fields of business accounting, commerce and marketing, transportation, insurance, industry (production), corporate finance, investment banking and real estate. These subjects were taught by specialists.

Because new schools of business were typically created on the model of existing programs and because educational standards were being promulgated by accreditation agencies, there was soon a trend toward a core business administration/management curriculum. In an extensive study entitled *Higher Education for Business*, pub-

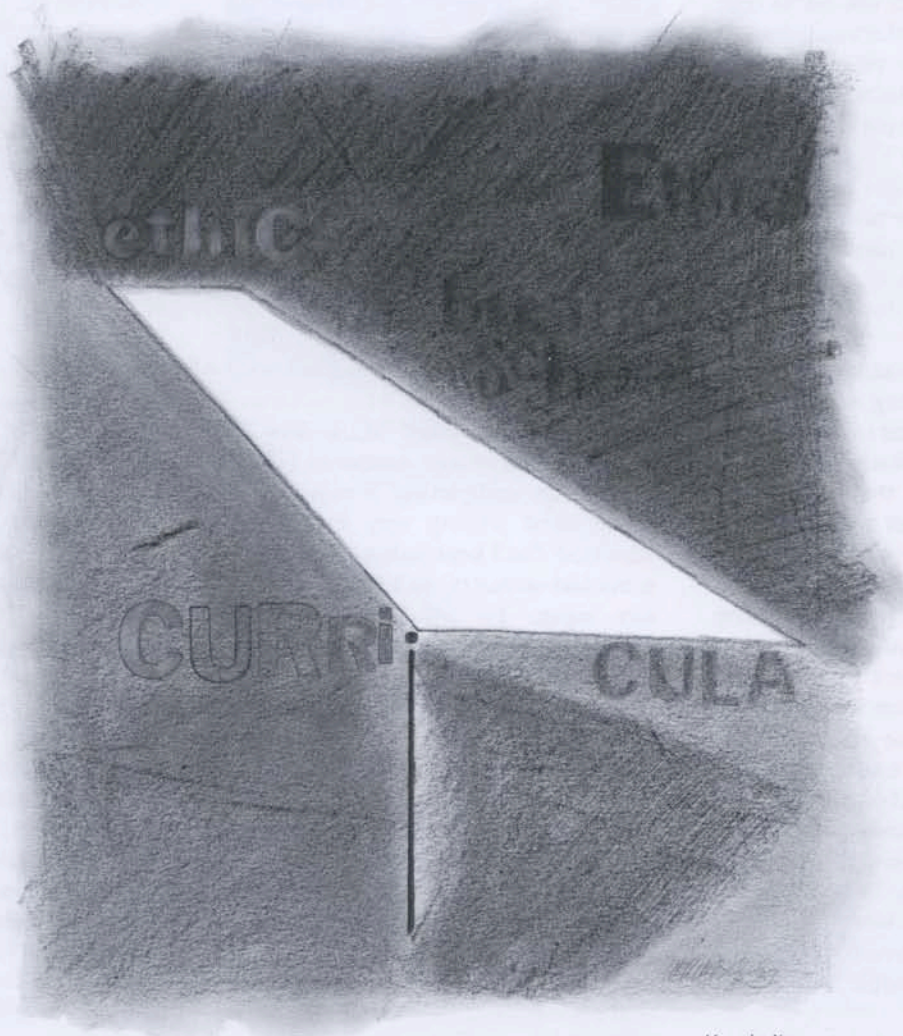
lished in 1959, the authors suggested a core curriculum for undergraduate business students which is very much like that of today's business school curricula.

What has changed is the course content and the teaching methodology. Also, course content and emphasis has been modified to reflect increasingly and complex business competition and the internationalization of the business environment. For example, rapid advances in computer technology and computer-oriented/management information systems have influenced the curricula in the form of new computer and management courses and concentrations; computer exercises and management simulations for courses in accounting, operations management, market research and business policy. Also, there is unprecedented emphasis upon social responsibility and ethical aspects of business.

Some curriculum issues remain for our continual examination, such as the balance between the liberal arts and the "vocational" content in business school curricula and the differentiation between undergraduate and graduate management curricula.

Given the relative recency of management education in America it should be no surprise that there are some fundamental issues to confront.

Business educators continue to face the same dilemmas and frustrations that have been the subject of debate and evaluation since the inception of business curricula in higher education. The demands upon the management faculty intensify and add weight to both sides of the balance — to strengthen the liberal arts content of management curricula while satisfying the ever expanding demands to educate the students in the evolving technologies and disciplines of management. ■



Mercedes Nunez